

**RESOLUTION TO ADOPT A FUND BALANCE POLICY FOR THE TOWN OF
WEST HARTFORD'S GENERAL FUND**

WHEREAS, the Government Finance Officers Association recommends that governments establish a formal policy on the level of unrestricted fund balance in the General Fund, and

WHEREAS, the Town of West Hartford recognizes that adoption of a formal fund balance policy for the Town's General Fund is financially prudent and demonstrates its commitment to take all practical steps to maintain the highest credit rating,

**NOW, THEREFORE, BE IT RESOLVED THAT THE TOWN COUNCIL OF
THE TOWN OF WEST HARTFORD** hereby adopts the fund balance policy attached hereto.

Van Winkle
12/13/2016

Fund Balance Policy – General Fund Town of West Hartford

The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance in the General Fund. Credit agencies are in general agreement with this GFOA recommendation as they carefully monitor levels of unrestricted fund balance in a government's General Fund in order to properly evaluate a government's continued creditworthiness. The Town of West Hartford (Town) is in agreement and believes that in order to ensure the long-term economic stability of the Town, a policy that requires maintaining a prudent level of financial resources in order to protect against reducing service levels or raising taxes and fees as a result of unforeseen catastrophic events, unexpected revenue shortfalls, or unpredicted one-time expenditures, is necessary. Furthermore, the Town recognizes that the creation of a formal fund balance policy for the General Fund is essential to preserve and maintain our Triple "A" credit rating.

Accordingly, the Town seeks to maintain an annual minimum unrestricted fund balance in the General Fund of 7.5% of expenditures as stated in the General Fund Schedule of Expenditures and Other Financing Uses Budget and Actual (NON-GAAP BUDGETARY BASIS) in the Town's most recent Comprehensive Audited Financial Report. Should the unrestricted fund balance fall below 7.5%, the Town will take all necessary steps to restore it to at least 7.5% as soon as practical.

The Town intends to limit its unrestricted fund balance in the General Fund to no more than 15% of the audited General Fund Expenditures as stated in the General Fund Schedule of Expenditures and Other Financing Uses Budget and Actual (NON-GAAP BUDGETARY BASIS) in the Town's most recent Comprehensive Audited Financial Report.

Amounts in excess of 15% will be available for appropriation for the following purposes:

1. **Tax Relief Purposes:** Excess unrestricted fund balance may be used for tax relief purposes. This is allowable only when that tax relief is part of an overall strategy that is intended to smooth out projected tax levy increases over a multiyear period.
2. **Unanticipated Operating Expenses:** Excess unrestricted fund balance may be used to offset operating budget expenses in extraordinary cases where those expenses are unanticipated and substantial and/or are projected to occur over a multiyear period.
3. **Recurring Capital Projects:** Excess unrestricted fund balance may be used for recurring capital projects including, but not limited to, Arterial Street Reconstruction, Neighborhood Street Reconstruction, Street Resurfacing and Town Building Improvements.

The Town acknowledges that a drawdown of excess fund balance to mitigate tax increases or to support operations is essentially a one-time source of funding and, therefore, the Town commits to manage any excess fund balance drawdown(s) in a prudent and fiscally responsible manner. When appropriate, drawdowns of excess fund balance will be utilized over a multiyear period. If a significant drawdown of excess fund balance is proposed for a single fiscal year period, the Town Manager will be required to

submit a fiscal analysis to the Town Council outlining the impact that one time revenue will have on the following fiscal year's operating budget.

Any recommended usage of excess fund balance must be proposed by the Town Manager and authorized by the Town Council.

Last Revised: 8/29/2016